

ALVORD AND ALVORD

ATTORNEYS AT LAW

918 SIXTEENTH STREET, N.W.

SUITE 200

WASHINGTON, D.C.

20006-2973

(202) 393-2266

FAX (202) 393-2156

RECORDATION NO

18014

FILED 1425

OF COUNSEL
URBAN A. LESTER

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

November 25, 1992

NOV 25 1992 4 30 PM

INTERSTATE COMMERCE COMMISSION

Mr. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two(2) fully executed and acknowledged copies of a Chattel Mortgage and Security Agreement dated November 24, 1992, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The names and addresses of the parties to the enclosed document are:

Mortgagor: Allegheny & Eastern Railroad, Inc.
201 N. Penn Street
Punxsutawney, Pennsylvania 15767

Mortgagee: Greyhound Financial Corporation
Dial Tower
Dial Corporate Center
Phoenix, Arizona 85077

A description of the railroad equipment covered by the enclosed document is set forth in Schedule 1 attached hereto and made a part hereof.

Also enclosed is a check in the amount of \$16.00 payable to the order of Interstate Commerce Commission covering the required recordation fee.

\$16
New Number
NOV 26 1 24 PM '92
MAIL ROOM

Counterparts of Hanson

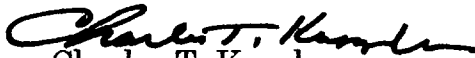
Mr. Sidney L. Strickland, Jr.
November 25, 1992
Page Two

Kindly return a stamped copy of the enclosed document to
Charles T. Kappler, Esq., Alvord and Alvord, 918 16th Street, N.W., Washington,
DC 20006.

A short summary of the enclosed primary document to appear in the
Commission's Index is:

Chattel Mortgage and Security Agreement dated November 24, 1992
between Allegheny & Eastern Railroad, Inc., Mortgagor, and
Greyhound Financial Corporation, Mortgagee, covering 6 locomotives,
two each of which bear CR, ATSF and UP marks and numbers.

Very truly yours,


Charles T. Kappler

CTK/khb
Enclosures

Interstate Commerce Commission

Washington, D.C. 20423

11/25/92

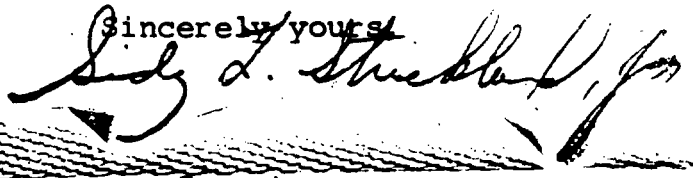
OFFICE OF THE SECRETARY

Charles T. Kappler
Alvord And Alvord
918 Sixteenth Street, NW.
Ste. 200
Washington, DC., 20006-2973

Dear Sirs:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/25/92 at 1:30PM , and assigned re-recording number(s). 18014

Sincerely yours,



Secretary

SIDNEY L. STRICKLAND, JR.

Enclosure(s)

CHATTEL MORTGAGE AND SECURITY AGREEMENT

RECORDATION NO 18014 FILED 1425

NOV 25 1992 - 1 30 PM

INTERSTATE COMMERCE COMMISSION

This CHATTEL MORTGAGE AND SECURITY AGREEMENT (this "Mortgage"), dated November 24_, 1992, made by ALLEGHENY & EASTERN RAILROAD, INC., a Delaware corporation, having its chief executive office and principal place of business at 201 N. Penn Street, Punxsutawney, Pennsylvania (the "Mortgagor"), and GREYHOUND FINANCIAL CORPORATION, a Delaware corporation, having its chief executive office and principal place of business at Dial Tower, Dial Corporate Center, Phoenix, Arizona 85077 (the "Mortgagee").

PRELIMINARY STATEMENTS

(1) The Mortgagor and the Mortgagee have entered into a Loan Agreement dated as of November_, 1992 (such Agreement, as it may hereafter be amended or otherwise modified from time to time, the "Loan Agreement"), pursuant to which the Mortgagee agreed to make the Loan to the Mortgagor to enable the Mortgagor to acquire, among other things, the Locomotives (as defined in Section 1.1 hereof).

(2) It is a condition precedent to the making of the Loan under the Loan Agreement that the Mortgagor execute and deliver this Mortgage.

NOW, THEREFORE, in consideration of the premises and in order to induce the Mortgagee to make the Loan under the Loan Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Mortgagor hereby agrees with Mortgagee as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Terms defined in the Loan Agreement and not otherwise defined herein are used herein as therein defined. Certain other terms are defined as follows:

A . "AAR" shall mean the Association of American Railroads.

B. "Event of Loss" with respect to any Locomotive shall mean: (a) loss of such property or loss of the use thereof due to theft or disappearance; (b) damage or destruction beyond economic repair of such property or rendition of such property substantially unfit for normal use for any reason; (c) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss; or (d) the confiscation, condemnation, appropriation or seizure of, or requisition of use or title of, such property by any Person or any Government.

C. "Government" means any national government or a political sub-division thereof.

D. "Locomotives" shall mean the Locomotives described or designated on Schedule I hereto, together with all the fittings and equipment thereunto appertaining or belonging, whether now owned or hereafter acquired, whether or not installed thereon, and all additions, improvements and replacements hereafter made therein or thereto.

E. "Mortgagor Order" and "Mortgagor Request" shall mean, respectively, a written order or request signed in the name of the Mortgagor by an authorized officer of the Mortgagor and delivered to the Mortgagee in accordance with the terms hereof.

F. "Obligations" means all of the obligations of the Mortgagor now or hereafter existing under the Loan Agreement, the Note, this Mortgage and any other Loan Document, and of the other Obligors under any Loan Document whether for principal, interest, fees, expenses or otherwise.

G. "Officer's Certificate" shall mean a certificate signed by an authorized officer of the Mortgagor and delivered to the Mortgagee.

H. "Permitted Liens" shall mean:

(i) Liens for taxes either not yet due or being contested in good faith by appropriate proceedings and so long as adequate reserves are maintained with respect to such Liens and so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Locomotive or interest therein;

(ii) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business and not delinquent or

being contested in good faith by appropriate proceedings and so long as adequate reserves are maintained with respect to such Liens and so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Locomotive or interest therein;

(iii) Liens arising out of any judgment or award unless the judgment secured shall not, within sixty (60) days of the entry thereof, have been discharged or vacated or execution thereof stayed pending appeal or shall not have been discharged, vacated or released within sixty (60) days after execution of such stay;

(iv) Liens to secure payment of insurance premiums (A) to be paid in accordance with applicable laws in the ordinary course of business relating to payment of worker's compensation, or (B) that are required for the participation in any fund in connection with worker's compensation, unemployment insurance, old age pensions or other social security programs.

(v) the Lien of this Chattel Mortgage or any Lien arising from any Security Documents.

I. "Proceeds" shall have the broadest meaning permissible under the Uniform Commercial Code of Arizona and shall include all proceeds, whether such proceeds are money, accounts, instruments, chattel paper, documents, equipment, inventory, farm products, consumer goods, general intangibles, or deposit accounts, and, in any event, shall include, but shall not be limited to (i) all rents, fees, lease payments, sublease payments and all other amounts due or collected under or in respect of leases or subleases, all insurance proceeds of equipment, all proceeds of the voluntary or involuntary disposition of equipment or such proceeds, all proceeds, judgments or awards relating to any of the foregoing and all goods, documents, instruments, general intangibles, chattel paper and accounts, wherever located, acquired with the cash proceeds of such equipment or the proceeds thereof and (ii) any and all payments (in any form whatsoever) made or due and payable to the Mortgagor, from time to time, in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Mortgaged Property by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority).

ARTICLE II

GRANTING CLAUSES; REPRESENTATIONS AND WARRANTIES

SECTION 2.1 Mortgage and Grant of Security Interest. As security for the due and prompt payment and performance of the Obligations the Mortgagor hereby mortgages to the Mortgagee, and hereby grants to the Mortgagee a security interest in, the following (the "Mortgaged Property"):

- (a) the Locomotives;
- (b) all warranties, service contracts and product agreements of any manufacturer or of any maintenance and overhaul agency of any Locomotive, or any subcontractor or supplier or vendor thereof, and any and all rights of the Mortgagor to compel performance of the terms of such warranties, service contracts and product agreements in respect of any Locomotive;
- (c) all substitutions, replacements and renewals of all property subjected or required to be subjected to the Lien hereof and all property which shall hereafter become physically attached to or incorporated in all property subjected or required to be subjected to the Lien hereof, in each case whether the same are now owned by the Mortgagor or shall hereafter be acquired by it;
- (d) all records, logs, manuals and documents or other materials of any kind relating to the condition, use, location, maintenance of or repairs or overhauls to all or any part of each Locomotive;
- (e) all right, title and interest of the Mortgagor in, to and under any arrangement for the operation of all or any part of any Locomotive, including but not limited to, the Mortgagor's right, title and interest in and to all of the monies due and to become due to the Mortgagor thereunder, and Mortgagor's right to compel performance of obligations any other party thereto and together with all general intangibles and contract rights related thereto;
- (f) all monies and securities deposited or required to be deposited with the Mortgagee pursuant to any term of this Mortgage; and
- (g) all Proceeds of all or any of the foregoing, including all amounts payable or paid under insurance and

claims or rights to payments thereunder (whether or not Mortgagee is the loss payee thereof).

SECTION 2.2 Mortgagor Remains Liable. Anything herein to the contrary notwithstanding (a) the Mortgagor shall remain liable under the contracts and agreements included in the Mortgaged Property to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Mortgage had not been executed, (b) the exercise by the Mortgagee of any of the rights hereunder shall not release the Mortgagor from any of its duties or obligations under the contracts and agreements included in the Mortgaged Property, and (c) the Mortgagee shall not have any obligation or liability under the contracts and agreements included in the Mortgaged Property by reason of this Mortgage, nor shall the Mortgagee be obligated to perform any of the obligations or duties of the Mortgagor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 2.3 Representations and Warranties. The Mortgagor represents and warrants to the Mortgagee that: the Mortgagor has, and at all times will have, good and marketable title to the Mortgaged Property free and clear of all Liens except Permitted Liens, and has, and at all times will have, full power and authority to mortgage and grant a Lien and security interest in the Mortgaged Property in the manner aforesaid; and this Mortgage constitutes a valid first priority mortgage on and security interest in the Mortgaged Property duly securing the Obligations.

ARTICLE III

CERTAIN COVENANTS OF THE MORTGAGOR

SECTION 3.1 Covenant of Title; Liens. The Mortgagor hereby will forever warrant and defend the title to and possession of the Mortgaged Property against the claims and demands of all persons except the claims and demands under the Permitted Liens and at all times keep the Lien and security interest granted herein with respect to the Mortgaged Property, at the Mortgagor's expense, a valid and a perfected first priority security interest in and Lien upon the Mortgaged Property as constituted from time to time, superior to the rights of all third parties (except Permitted Liens) to the fullest extent permitted by applicable law. The Mortgagor will not create, assume, incur or suffer to be created, assumed or incurred or to exist any Lien (other than Permitted Liens) upon

any Mortgaged Property, and the Mortgagor will take whatever action may be required to remove any Lien which is not a Permitted Lien which shall at any time attach to the Mortgaged Property.

SECTION 3.2 Registration. (a) The Mortgagor will bear the expense of and be responsible for registering and re-registering and filing and re-filing this Mortgage and such other financing statements or other instruments from time to time as may be requested by the Mortgagee with the ICC and in all such other jurisdictions and offices as may be from time to time required in order that: (i) the Lien hereof as a first priority Lien subject to Permitted Liens on the Locomotives and on all of the other Mortgaged Property, (ii) the security for the Obligations, and (iii) the rights and remedies of the Mortgagee hereunder, under the other Loan Documents and at law, may be established, confirmed, maintained and protected; and the Mortgagor will furnish to the Mortgagee evidence satisfactory to the Mortgagee of every such recording, registering and filing which is not filed, recorded or registered by Mortgagee.

(b) The Mortgagor hereby appoints Mortgagee as its irrevocable attorney in fact (said agency coupled with an interest), with full authority in the place and stead of the Mortgagor, to take all such action and execute all such documents in Mortgagee's own name or in the name of the Mortgagor that Mortgagee may deem is necessary or desirable to carry out the purposes of Paragraph 4.2(a).

SECTION 3.3 To Keep in Effect Authorizations; To Pay Taxes. (a) The Mortgagor will obtain and maintain, or cause to be obtained or maintained, in full force and effect, any authorization, approval, license, or consent of any governmental or judicial authority including, without limitation, the ICC, which may be or become necessary in order to obtain the full benefits of this Mortgage and all rights and remedies granted or to be granted herein.

(b) (i) Mortgagor agrees to pay, indemnify and hold Mortgagee harmless from all taxes, assessments and charges (including, but not limited to, all license and registration fees, levies, imposts, duties, private property and transfer stamp taxes and charges or withholdings or payments to be made in lieu thereof together with any penalties, fines or interest thereon or payments to be made in lieu thereof) imposed on Mortgagee or Mortgagor by the United States of America or any other local government or taxing authority in the United States of America or by any taxing authority or political or

governmental sub-division of any foreign country upon or with respect to: (a) any Locomotive, or any interest therein; (b) the purchase, ownership, delivery, possession, use, operation, return or other disposition thereof (including, without limitation, any disposition in exercise of the rights of Mortgagee arising from an Event of Default); (c) interest, receipts, rentals or earnings arising from any item set forth in the previous clauses (a) or (b); or (d) this Mortgage (all such taxes, assignments, charges, levies, fees, imposts, duties, charges or withholdings or payments to be made in lieu thereof and any such penalties, fines or interest therein hereinafter referred to in this Section 3.3 as a "Levy" or as "Levies"). Mortgagor's obligations to pay Levies shall not apply to any Levy measured by the net income payable by Mortgagee to any state of the United States of America in which Mortgagee has its principal office or political subdivision thereof or to the United States of America under the Internal Revenue Code of 1986, as amended ("Code") in consequence of the receipt of payments under the Note. If claim is made against Mortgagee for any Levy, Mortgagee shall promptly notify Mortgagor thereof, but Mortgagee shall have no liability to the Mortgagor or any other Obligor for failure to provide such notice. If reasonably requested by Mortgagor in writing within 30 days after such notification, Mortgagee shall upon receipt of an acknowledgment satisfactory to it that the indemnity hereunder applies to such Levy, and at the expense of Mortgagor (including, without limitation, all out-of-pocket costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest) cooperate with Mortgagor in contesting any such Levy. The foregoing notwithstanding, Mortgagor shall not be liable to Mortgagee for a fine, penalty or interest which constitutes a Levy, to the extent, but only to the extent, that such fine, penalty or interest arose before Mortgagee had knowledge as to the existence of such Levy.

(ii) In the event Mortgagee is required to make any payment under this Section 3.3, Mortgagor shall pay to Mortgagee an amount which after taking into account all taxes required to be paid by Mortgagee in respect of the receipt thereof under the laws of the United States of America or of any state or local government or taking authority in the United States of America or any state of local government or taxing authority or government entity of any foreign country, shall be equal to the amount of such payment. The sum payable pursuant to this Subsection 3.3 shall be payable thirty (30) days after Mortgagee delivers to Mortgagor verification that the indemnity is due pursuant to this Subsection 3.3 including, without limitation, a statement describing in reasonable detail the circumstances requiring indemnification hereunder and setting

forth in reasonable detail the computation of the amount thereof.

SECTION 3.4 Indemnification. The Mortgagor does hereby assume liability for and hereby indemnifies the Mortgagee, its successors, assigns, officers, directors, representatives, agents and employees from and against any and all liabilities, losses, damages, claims, actions, suits, costs and expenses, including, without limitation, legal fees and disbursements, and fees and expenses of expert witnesses (collectively "Costs"), imposed on, incurred by, or asserted against the Mortgagee, or any of its successors, assigns, officers, directors, representatives, agents or employees relating to or arising out of the purchase, ownership, delivery, possession, use, operation, condition, performance, quality, suitability, maintenance, loss, confiscation, seizure, requisition, lease, sale, or other disposition of the Mortgaged Property or any part thereof, or this Mortgage or any other Loan Document or any of the instruments or agreements to be entered into by the parties pursuant hereto or thereto. The indemnities contained in this Section 3.4 shall continue in full force and effect notwithstanding the termination of this Mortgage. If any Cost is imposed on, incurred by, or asserted against the Mortgagee, the Mortgagee shall promptly notify Mortgagor thereof, but Mortgagee shall have no liability to Mortgagor or any other Obligor for failure to provide such notice. If reasonably requested by Mortgagor in writing within 30 days after such notification, Mortgagee shall upon receipt of an acknowledgment satisfactory to it that the indemnity hereunder applies to such Levy, and at the expense of Mortgagor (including, without limitation, all out-of-pocket costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest) cooperate with Mortgagor in contesting any such Cost as to which Mortgagee in its sole discretion and in good faith believes there to be a meritorious basis to contest.

SECTION 3.5 Maintenance and Operation. (a) The Mortgagor, at its own cost and expense, will maintain, service, repair, overhaul and test each Locomotive so as to keep the same in as good operating condition as when originally mortgaged hereunder, ordinary wear and tear excepted, and in accordance with the AAR Rules of Interchange and requirements of all laws, rules, regulations or orders of any governmental authority having jurisdiction, including, without limitation, the DOT. Except for alterations or changes required by law, Mortgagor shall not, without the prior written approval of Mortgagee, effect any change in the design, construction or body of the Locomotives. Mortgagor shall notify Mortgagee promptly of any alterations or changes in the Locomotives

required by law, describing by identification number the Locomotives affected and the nature of the alterations or changes, and shall, at its expense, make such modifications or changes.

(b) Mortgagor is conducting and will conduct its business and operations in substantial compliance with (i) all applicable laws and directives of governmental authorities having the force of law, including, without limitation, all laws of the jurisdictions in which its operations involving the Locomotives may extend, (ii) the interchange rules of the Association of American Railroads, (iii) all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body, and (iv) all lawful rules of any other association of carriers or shippers exercising any power or jurisdiction over Mortgagor or over the Locomotives, to the extent that such laws and rules affect the title, operation, storage, maintenance or use of the Locomotives. Mortgagor shall not operate or maintain the Locomotives, or permit the Locomotives to be operated or maintained, outside the United States of America.

(c) Mortgagor shall not do any act, or suffer or permit any act to be done, whereby any insurance required by the terms of Section 3.7 hereof shall be or may be suspended, impaired or defeated, and shall not suffer or permit the Locomotives, or any of them, to engage in any business or to carry any cargo not permitted under such insurance, without first covering such Locomotives to the amount herein provided by insurance satisfactory to Mortgagee for such business or the carriage of such cargo.

SECTION 3.6 Possession. (a) Except as expressly permitted by the Loan Agreement, and this Section 3.6, Mortgagor shall not sell, relinquish possession, lease, convey, transfer or encumber (other than Permitted Liens) or otherwise dispose of any right, title or interest of the Mortgagor in all or any part of the Mortgaged Property without the prior written consent of Mortgagee, or cause or permit another to do any of the foregoing with respect to any of the Mortgaged Property, except that Mortgagor may:

(i) permit the use thereof or any part thereof by railroad companies in the usual interchange of traffic agreement, but only on and subject to all the terms and conditions of this Mortgage;

(ii) lease or re-lease the Locomotives to third parties subject to the following:

(A) each such lease or re-lease is in form and substance acceptable to Mortgagee and is assigned to Mortgagee which assignment shall be in the form attached hereto as Exhibit A; and

(B) All per diem payments, lease rentals and other charges payable for the use of the Locomotives while being used by others and proceeds payable for the loss, destruction or damage of or to the Locomotives shall be paid to Mortgagee's agent, care of Mortgagee, who, prior to an Event of Default and until a successor is designated by Mortgagee, shall be Mortgagor. Prior to the occurrence of an Event of Default the amounts so paid shall be remitted by such agent to Mortgagor; provided, however, that if an Event of Default shall occur, no such payments, lease rentals or other charges shall be paid to Mortgagor from and after the occurrence of said Event of Default, and Mortgagor hereby releases any claim thereto, and all such payments, lease rentals and other charges shall be remitted to Mortgagee and may be applied by Mortgagee against the Obligations or any expense incurred by Mortgagee because of such Event of Default and otherwise as provided in Section 4.6.

SECTION 3.7 To Insure. (a) The Mortgagor shall at all times procure and maintain, or cause to be procured and maintained, on the Locomotives, without liability and at no cost to the Mortgagee, policies of insurance required by, written by insurers, and in amounts and forms required under Section 5.6 of the Loan Agreement.

(b) After the occurrence and continuance of an Event of Default, Mortgagee is hereby authorized, but not required, in its own name and/or Mortgagor's name to demand, collect, receipt for, and prosecute all necessary actions in the courts to recover any and all insurance moneys which may become due and payable under any insurance which relates to the Locomotives. If Mortgagor shall at any time fail to pay or to cause to be paid when due any insurance premiums, calls or other costs related to obtaining or maintaining the insurance required hereunder which relates to the Locomotives, or to obtain any required insurance or to deliver to Mortgagee all policies, certificates, contracts of insurance, binders and cover notes and all renewals thereof which relates to the

Locomotives as required by the Mortgagee, Mortgagee may, but shall not be required to, procure such insurance and/or pay unpaid premiums and other costs, and the cost and expense thereof, with interest at the Overdue Rate, shall be included in the Obligations secured by this Mortgage and shall be paid by Mortgagor on demand.

(c) All insurance payments received by the Mortgagee or the Mortgagor from insurance referred to in this Section 3.7 which relates to the Locomotives and paid as the result of the occurrence of an Event of Loss with respect to a Locomotive (as well as any requisition or other payments received by the Mortgagee or the Mortgagor as the result of any such Event of Loss) shall be, if received by the Mortgagor, immediately paid to the Mortgagee and shall be held and applied by the Mortgagee to prepay the Loan in whole or in part as provided in the Loan Agreement. All insurance payments received by the Mortgagee or the Mortgagor from insurance referred to in this Section 3.7 which relates to the Locomotives paid other than as the result of an Event of Loss with respect to a Locomotive shall be, if received by the Mortgagor, immediately paid to the Mortgagee and applied by Mortgagee to the payment of the costs of restoring such Collateral if no Event of Default or Default shall have occurred and be continuing and if, in the sole judgment of Mortgagee, (i) the Locomotives so damaged can be restored substantially to the value, utility and condition thereof immediately prior to such damage, (ii) the amounts paid by Mortgagor to Mortgagee for the purpose shall be sufficient to pay all costs of such restoration, and (iii) restoration can be expected to be completed within 24 months of such damage or by the fifth anniversary of the Closing Date, whichever is earlier. Any amount which would be payable pursuant to this paragraph (b) if an Event of Default had not occurred and was continuing shall be held by the Mortgagee and applied in accordance with the terms of Section 4.6 hereof.

SECTION 3.8 Inspection by Mortgagee; Information.
Mortgagor shall provide Mortgagee with access to all information available to Mortgagor regarding the location of the Mortgaged Property. Mortgagor shall permit the Mortgagee or any representative designated by Mortgagee to inspect the Locomotives and the books of account, records, reports and other papers of the Mortgagor related to the Mortgaged Property and to make copies and extracts therefrom. Mortgagor will afford and procure a reasonable opportunity to Mortgagee to make any such inspection and the Mortgagor will furnish the Mortgagee with any and all such other information and copies of documents and print-outs of data related to the Mortgaged Property stored on any electronic or data processing medium under the control of the Mortgagor as the Mortgagee may

reasonably request with respect to any Mortgaged Property and the financial records of the Mortgagor related to the Mortgaged Property and will permit Mortgagee to discuss any of the foregoing with any officer or accountant of the Mortgagor, all at such reasonable time and as often as may be reasonably requested. All such inspections shall be at the reasonable cost and expense of Mortgagor. If default shall be made in keeping the Locomotives in the condition required under Section 3.5 hereof, Mortgagee shall have the right (without prejudice, however, to any of Mortgagee's other rights hereunder) to effect such repairs as shall in its opinion be necessary. For the purpose of effecting such repairs, Mortgagor shall give to Mortgagee and its representative complete access to the Locomotives. All costs and expenses of such repairs with interest at the Overdue Rate shall be included in the Obligations secured by this Mortgage and shall be paid by Mortgagor on demand.

SECTION 3.9 Indentification of Locomotives.

(a) Mortgagor, at its sole cost and expense, agrees as soon as practicable to cause to be plainly, distinctly, permanently and conspicuously placed, fastened or painted upon each side of each of the Locomotives a legend in letters not less than one inch in height bearing the following words:

"GREYHOUND FINANCIAL CORPORATION,
PHOENIX, ARIZONA, MORTGAGEE AND SECURED PARTY"

(b) If any such legend at any time shall be painted over or otherwise made inconspicuous, removed, defaced or destroyed, Mortgagor will not allow the name of any person, association or corporation to be placed on the Locomotives as a designation which might be interpreted as indicating a lien thereon by any person, association or corporation other than Mortgagee or its assignees; but the Locomotives may be lettered with the names or initials or other insignia customarily used by Mortgagor on equipment of the same or a similar type for convenience of indentification of the rights to use and operate the Locomotives under this Mortgage.

(c) Mortgagor agrees to cause to be placed on each side of each Locomotive Mortgagor's assigned number. At all times thereafter, Mortgagor will cause the Locomotives to bear the number so assigned to it, and Mortgagor will not change or permit to be changed the number except in accordance with a statement of new number to be substituted therefor which previously shall have been furnished to Mortgagee by Mortgagor and filed, recorded or deposited in all public offices where this Mortgage will have been filed, recorded or deposited.

SECTION 3.10 Expenses. Mortgagor upon demand shall pay to Mortgagee (or as it may direct) the amount of all expenses of lien, judgment, tax and credit searches, mortgage taxes, recording charges, filing fees, revenue and documentary stamps and any other charges incurred by Mortgagee in connection with the preparation, completion or registration of this Mortgage, the Loan Agreement and any other Loan Document, including without limitation outside counsel's expenses and fees. Mortgagor shall pay any and all expenses incurred at any time by Mortgagee in the care of the Mortgaged Property or the protection and enforcement of its rights, including without limitation counsel's fees and expenses. If such fees and expenses are paid by Mortgagee, Mortgagor, upon request, shall reimburse Mortgagee for the amount of such fees and expenses, together with interest thereon from the date of the payment thereof by Mortgagee at the Overdue Rate, and shall be secured by the Lien of this Mortgage. Mortgagee shall use reasonable efforts to give Mortgagor oral notice prior to incurring any expenses under this Section 3.10.

SECTION 3.11 Reports. Mortgagor will furnish to Mortgagee on or before January 1st of each year (commencing with the year 1993) and on such dates as Mortgagee may from time to time reasonably request, an accurate report certified by Mortgagor stating as of a recent date (but not earlier than a date 90 days preceding the date of such statement) (i) that the Locomotives have been maintained and repaired in accordance with this Mortgage, and that the legends placed on the Locomotives as required by this Mortgage have been preserved or repainted on each side of each of the Locomotives and that Mortgagor's identifying reporting mark and the appropriate locomotive number have been preserved or repainted on each side of each of the Locomotives as required by this Mortgage (ii) the location of the Locomotives and (iii) such other information regarding the location, condition and state of repair of the Locomotives as Mortgagee may reasonably request.

SECTION 3.12 Further Assurances. The Mortgagor at its expense will promptly and duly execute and deliver such documents and assurances and take such action as may be necessary or desirable, in order to more effectively carry out the intent and purpose of this Mortgage and to establish, protect and perfect the rights, remedies and security interests created or intended to be created in favor of the Mortgagee hereunder, including, without limitation, the execution, delivery and filing of Uniform Commercial Code financing and continuation statements with respect to the security interests created hereby, in form and substance satisfactory to the

Mortgagee, in such jurisdictions as the Mortgagee may reasonably request. The Mortgagor hereby authorizes the Mortgagee to file any such statements without the signature of the Mortgagor to the extent permitted by applicable law.

SECTION 3.13 Event of Loss. Upon the occurrence of an Event of Loss with respect to a Locomotive, Mortgagor shall forthwith (and, in any event, within 15 days after such occurrence) give Mortgagee written notice of such Event of Loss, and, on or before the earlier of the receipt of insurance or condemnation proceeds relating thereto, or 120 days after the date of such occurrence pay to Mortgagee, in immediately available funds, the principal amount, plus accrued, unpaid interest on such principal amount, then outstanding under the Note in respect of such Locomotive as set forth in Schedule I attached hereto (less the amount of any insurance proceeds received by the Mortgagee in respect of such Event of Loss). Insurance proceeds in excess of the amounts necessary to pay the amounts referred to in the preceding sentence will be applied to the Obligations as provided in the Loan Agreement.

ARTICLE IV

REMEDIES

SECTION 4.1 Remedies. If an Event of Default shall occur and be continuing, the Mortgagee may without notice of any kind to the Mortgagor to the extent permitted by law, carry out or enforce the actions or remedies provided in this Article IV or elsewhere in this Mortgage or otherwise available to a secured party under the Uniform Commercial Code as in effect at the time in any applicable jurisdiction. Mortgagee will act in a commercially reasonable manner in the exercise of all its remedies hereunder.

SECTION 4.2 Possession of Mortgaged Property. (a) The Mortgagor agrees, to the full extent that it lawfully may, that the Mortgagee may take possession of all or any part of the Mortgaged Property and may exclude the Mortgagor and all persons claiming under the Mortgagor wholly or partly therefrom. Mortgagor agrees to deliver, at the request of Mortgagee, any of the Locomotives and any other part of the Mortgaged Property, or any records, including print-outs of data stored on any electronic or data processing medium, relating to the Mortgaged Property, to the Mortgagee without delay or hindrance in accordance with the provisions of paragraph (c) below and without the necessity for any legal

proceedings whatsoever, and if legal proceedings shall be commenced by the Mortgagee, Mortgagor hereby waives (to the maximum extent permitted by applicable law) any and all rights, defenses and counterclaims, including the right to a trial by jury, which it might assert in any such proceeding, whether based on any conduct by the Mortgagee under this Mortgage or any other Loan Document and the transactions contemplated hereby and thereby or based on any other documents or transactions or any other conduct or circumstance. If the Mortgagor shall for any reason fail to so deliver such Mortgaged Property or part thereof after such demand by the Mortgagee, the Mortgagee may:

(i) obtain a judgment conferring on the Mortgagee the right to immediate possession or requiring the Mortgagor to deliver immediate possession of all or part of such Mortgaged Property to the Mortgagee, to the entry of which judgment the Mortgagor hereby specifically consents, and

(ii) with or, to the fullest extent provided by law, without such judgment pursue all or part of such Mortgaged Property wherever it may be found and may enter into any of the premises of the Mortgagor wherever such Mortgaged Property may be or is supposed to be and search for such Mortgaged Property and take possession of and remove such Mortgaged Property.

(b) The Mortgagor covenants to pay to the Mortgagee, upon demand, all expenses of obtaining such judgment or of pursuing, searching for and taking such property, and reasonable compensation to the Mortgagee, its attorneys and agents; and all such expenses and compensation shall, until paid, be secured by the Lien of this Mortgage. Upon every such taking of possession, the Mortgagee may, from time to time, at the expense of the Mortgagor, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Mortgaged Property, as it may deem necessary or advisable. In each such case, the Mortgagee shall have the right, without prejudice to or waiver of any of its rights of sale hereunder, to use, operate, store or control the Mortgaged Property and to carry on the business and to exercise all rights and powers of the Mortgagor in respect thereof as the Mortgagee shall deem best, including the right to enter into any and all such agreements with respect to the maintenance, operation, leasing, rental or storage of the Mortgaged Property or any part thereof as the Mortgagee may determine; and the Mortgagee shall be entitled to collect and receive all tolls, rents, revenues, issues, income, products

and profits of the Mortgaged Property and every part thereof. Such tolls, rents, revenues, issues, income, products and profits shall be applied to pay the necessary expenses of holding and operating the Mortgaged Property and of conducting the business thereof, and of all necessary maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Mortgagee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Mortgaged Property or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Mortgagor). Any remainder of such tolls, rents, revenues, issues, income, products and profits shall be applied in accordance with Section 4.6 hereof.

(c) Upon the request of the Mortgagee to deliver the Locomotives made under paragraph (a), above, Mortgagor shall forthwith remove or cause to be removed any lettering of the names or initials or other insignia customarily used by Mortgagor from the Locomotives at its cost and expense and deliver the possession of the Locomotives to Mortgagee, or to an agent or representative designated by the Mortgagee, and Mortgagor will pay for any repairs necessary to restore the Locomotives to the condition required in this Mortgage. Such Locomotives will be returned free from residue and complete with all parts, equipment and accessories. For such purpose Mortgagor, at its own cost and expense, shall forthwith assemble or cause to be assembled the Locomotives and place them upon such storage tracks as Mortgagee may designate or, in the absence of such designation, as Mortgagor may select, and Mortgagor shall pay all costs and expenses of such storage for a period not exceeding 180 days from the date that the Locomotives are so assembled, and at Mortgagor's own cost and expense shall transport or cause to be transported up to 1,000 miles under Mortgagor's reporting marks the Locomotives at any time within such 180 day period on the written direction of Mortgagee to do so to the place Mortgagee directs.

SECTION 4.3 Powers of Sale, Suits for Enforcement and other Remedies. (a) The Mortgagee, with or without taking possession of the Mortgaged Property may, without notice:

(i) to the extent permitted by law, sell at one or more sales, as an entirety or in separate lots in a commercially reasonable manner all or any part of the Mortgaged Property, at public or private sale, at such place or places and at such time or times and upon such terms, including terms of credit (which may include the retention of title by the Mortgagee to the property so sold), as the Mortgagee may determine, whether or not such Mortgaged Property shall be at the place of sale;

(ii) proceed to protect and enforce its rights and under this Mortgage by suit, whether for specific performance of any covenant herein or in any Loan Document contained or in aid of the exercise of any power herein granted or for the foreclosure of this Mortgage and the sale of the Mortgaged Property under the judgment or decree of a court of competent jurisdiction or for the enforcement of any other right;

(iii) without demand, protest or notice of any kind, accelerate the entire principal balance then due and owing under the Loan Agreement and Note, whereupon all such amounts, accrued interest thereon, and all other amounts due and owing hereunder and thereunder shall become immediately due and payable;

(iv) institute legal proceedings to foreclose upon and against the security interest granted in and by this Chattel Mortgage and to recover judgment for all amounts then due as set forth in subparagraph (iii) of this Section 4.3(a); and

(v) sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for, or make any compromise or settlement deemed desirable with respect to, any of the Mortgaged Property or any sum payable in connection therewith.

(b) At any public sale of the Mortgaged Property or any part thereof by the Mortgagee pursuant to paragraph (a)(i) above, the Mortgagee may consider and accept bids requiring the extension of credit to the bidder and may determine in its sole discretion the highest bidder at such sale, whether or not the bid of such bidder shall be solely for cash or shall require the extension of credit; provided, however, if the accepted bid is all or partly for credit, Mortgagor shall not assume any of the credit risk, Mortgagor shall be given credit for such credit portion for purposes of determining any deficit, and Mortgagor shall not be liable for any deficit if such bid is equal to or greater than the Obligations, but Mortgagee shall have no obligation to account for any surplus until it actually receives payment of more than the Obligations.

(c) The Mortgagee, to the extent permitted by law, may from time to time adjourn any sale under paragraph (a)(i) above by announcement at the time and place appointed for such sale or for any adjournment thereof and notice to Mortgagor; and without further notice or publication, except as may be required by law, such sale may be made at the time and place to which the same shall have been so adjourned.

(d) Upon the completion of any sale under paragraph (a)(i) above, full title and right of possession to the Mortgaged Property so sold shall (subject to any retention of title by the Mortgagee as part of the terms of such sale) pass to the accepted purchaser forthwith upon the completion of such sale, and the Mortgagor shall deliver, in accordance with the instructions of the Mortgagee, the Mortgaged Property so sold. If the Mortgagor shall for any reason fail to deliver such Mortgaged Property or part thereof, the Mortgagee shall have all of the rights granted by Section 4.2 hereof. The Mortgagee may execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument or instruments of conveyance, sale and transfer of all the property sold; and the Mortgagee is hereby irrevocably appointed the true and lawful attorney of the Mortgagor, in its name and stead, to make all necessary conveyances of the Mortgaged Property so sold. Nevertheless, if so requested by the Mortgagee or by any purchaser, the Mortgagor shall confirm any such sale or conveyance by executing and delivering all proper instruments of conveyance or releases as may be designated in any such request.

(e) Every such sale, to the extent permitted by law, shall operate to divest all rights, title, interests, claims and demands whatsoever of the Mortgagor of, in and to the property so sold, and shall be a perpetual bar, both at law and in equity, against the Mortgagor, its successors and assigns and all other persons claiming the property sold, or any part thereof, through the Mortgagor, its successors and assigns.

(f) At any such sale, the Mortgagee may bid for and purchase the property offered for sale, may make payment on account thereof as herein provided, and, upon compliance with the terms of the sale, may hold, retain and dispose of such property without further accountability therefore. In case of any such sale, the Mortgagee shall be entitled, for the purpose of making payment for the property purchased, to use any Obligations which are then due and payable as a credit toward payment of the purchase price; and thereupon the Mortgagee shall be credited on account of such purchase price with the portion of the Obligations so used.

SECTION 4.4 Receiver. Upon the commencement of judicial proceedings by the Mortgagee to enforce any right under this Mortgage, the Mortgagee shall be entitled, as a matter of right as against the Mortgagor without notice or demand and without regard to the adequacy of the security for the Obligations or the solvency of the Mortgagor, to the appointment of a receiver of the Mortgaged Property and of the tolls, rents, revenues, issues, income, products, profits and proceeds thereof; but, notwithstanding the appointment of a

receiver, the Mortgagee shall be entitled to retain possession and control of cash held by, or required to be deposited with, the Mortgagee hereunder.

SECTION 4.5 Waiver of Bonds, etc. If Mortgagee seeks to take possession of any or all of the Mortgaged Property or avail itself of any provisional remedy by court process, the Mortgagor hereby irrevocably waives any bonds and any surety or security required by any statute, court rule or otherwise as an incident to such possession or remedy, and waives any demand for possession of the Mortgaged Property prior to the commencement of any suit or action to recover same.

SECTION 4.6 Application of Proceeds. The proceeds of any sale, lease or other disposition of the Mortgaged Property, or any part thereof, under this Mortgage, together with any other sums realized by the Mortgagee pursuant to this Mortgage or any proceedings hereunder shall be applied in the following order of priority:

A. First. To the payment of the costs and expenses of such sale, lease or other disposition, including brokers' fees or sales commissions, the reasonable fees and expenses of Mortgagee's agents, attorneys' fees and expenses, and all other charges, expenses, liabilities and advances incurred or made by the Mortgagee in connection therewith or incurred pursuant to Section 4.9(b) hereof, and to the payment of all taxes, assessments or Liens, if any, prior to the Lien of this Mortgage, except any taxes, assessments or Liens subject to which such sale shall have been made;

B. Second. To the payment of amounts due under the Loan Agreement and Note; and

C. Third. The surplus, if any, shall be paid to Mortgagor.

SECTION 4.7 Right to Possession. The right of the Mortgagee to take possession of and sell or operate and manage the Mortgaged Property in compliance with the provisions of this Mortgage shall not be adversely affected by the provisions of the Federal Bankruptcy Code as at any time amended or of any provision of any succeeding act to the same effect.

SECTION 4.8 Remedies Cumulative, etc. (a) Each right, power, and remedy specifically given to the Mortgagee herein, or otherwise existing shall be cumulative and shall be

in addition to every other right, power, and remedy specifically given herein, or in the Loan Agreement or now or hereafter existing at law, in equity, or otherwise; and each right, power and remedy, whether specifically given herein or under the Loan Agreement or otherwise existing, may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee; and the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

(b) No delay or omission by the Mortgagee in the exercise of any right or power, or in the pursuance of any remedy, shall impair any such right, power, or remedy or be construed to be a waiver of any default on the part of the Mortgagor or to be an acquiescence therein.

(c) No waiver by the Mortgagee of any breach or Default or Event of Default by the Mortgagor under this Mortgage or the Loan Agreement shall be deemed a waiver of any other previous breach or default or any thereafter occurring.

(d) The invalidity of any remedy in any jurisdiction shall not invalidate such remedy in any other jurisdiction. The invalidity or unenforceability of any of the remedies herein provided in any jurisdiction shall not in any way affect the right to the enforcement in such jurisdiction or elsewhere of any of the other remedies herein provided.

(e) All rights of action under this Mortgage may be enforced by the Mortgagee without the possession of the Note or the production thereof in any proceeding.

SECTION 4.9 Miscellaneous.

(a) Waiver of Appraisalment, etc., Laws. The Mortgagor agrees, to the full extent that it lawfully may, that neither it nor anyone claiming through or under it will set up, claim the benefit or advantage of any appraisalment, valuation, stay, extension, moratorium or redemption law now or hereafter in force, in order to prevent, hinder or delay the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property or any part thereof; or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and the Mortgagor, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may be lawful so to do, the benefit of all such laws, and any and all right to have any of the properties or assets comprising the Mortgaged

Property marshalled upon any such sale, and agrees that the Mortgagee or any court having jurisdiction to foreclose the Lien hereof may sell the Mortgaged Property as an entirety or in such parcels as the Mortgagee may determine.

(b) Mortgagee's Right to Perform and Incur Expenses.

If the Mortgagor fails to perform or fulfill any of its undertakings or obligations contained herein, Mortgagee shall have the right, but shall not be obligated: (i) to effect such performance or compliance and (ii) to incur such expenses relative thereto or to the enforcement of Mortgagee's rights as against, or the preservation, protection, operation in interchangeable condition, storage or sale of, the Mortgaged Property. The amount of any such expenses and other reasonable costs of Mortgagee incurred as hereinabove provided shall become payable by the Mortgagor to the Mortgagee as of the date on which Mortgagee shall pay the same, together with interest thereon from said date of payment at the Overdue Rate, and shall be secured by the Lien of this Mortgage. Mortgagee shall use reasonable efforts to give Borrower notice prior to making such performance or payment, but shall have no obligation to give any notice to cure any default under Section 3.7 hereof.

(c) Agency. The Mortgagor hereby appoints Mortgagee, such appointment being immediately and without further notice or action effective upon the occurrence of an Event of Default, as the Mortgagor's irrevocable attorney-in-fact and agent (such appointment being coupled with an interest) either in the Mortgagee's own name or in the name of the Mortgagor, to (i) incur and to pay the costs and expenses aforesaid in Section 4.9(b); (ii) make claim for, collect, compromise and bring suit in respect of all claims relating to the Mortgaged Property; (iii) execute and endorse all documents, checks or drafts received in payment of any and all such expenses or any losses or damages under any insurance policies maintained with respect to any Mortgaged Property; (iv) execute financing statements in the Mortgagor's name as debtor; and (v) take any action which the Mortgagor could take as owner of the Mortgaged Property in and of the realization by the Mortgagee of any of its rights and remedies herein provided including, without limitation, at any time while Mortgagor is obligated to deliver possession of the Locomotives to Mortgagee under Section 5.2 hereof, to demand and take possession of the Locomotives in the name and on behalf of Mortgagor from whomsoever shall be at the time in possession of the Locomotives.

ARTICLE V

DEFEASANCE

SECTION 5.1 Payment of Indebtedness; Satisfaction.

If the Mortgagor shall pay and discharge all of the Obligations, then, this Mortgage and the Lien, rights and interests hereby granted shall cease, terminate and become null and void, and upon Mortgagor Request, the Mortgagee shall execute and deliver to the Mortgagor such instruments of satisfaction and discharge of this Mortgage, and the Lien hereof, as may be reasonably requested by Mortgagor, and pay and deliver upon Mortgagor Order all monies and other personal property then held as collateral security (but excluding any monies received by Mortgagee in payment of the Obligations) by the Mortgagee hereunder. All such instruments and documents of release or discharge shall be prepared and filed at the sole cost and expense of Mortgagor and shall be reasonably satisfactory in form and substance to the Mortgagee.

ARTICLE VI

SUNDRY PROVISIONS

SECTION 6.1 Notices. Except as otherwise specifically provided to the contrary herein:

(a) Every notice or demand under this Mortgage required or permitted to be given by the Mortgagee or the Mortgagor shall be in writing and may be given or made by registered mail, return receipt requested or by internationally recognized overnight courier.

(b) Every notice or demand shall be sent, in the case of a notice sent by overnight courier or registered mail, to the Mortgagee or to the Mortgagor at their respective address set out in the preamble hereof.

(c) Every notice or demand shall, except so far as otherwise expressly provided by this Mortgage, be deemed to have been received, in the case of a notice sent by internationally recognized overnight courier service or registered mail upon acknowledgment of receipt, or as of the date on which receipt of such notice delivered by overnight courier or registered mail is refused or such courier or the U.S. Postal Service advises that such notice is not deliverable at such address with respect to the Mortgagee or Mortgagor, as the case may be.

(d) Subject to the terms hereof, Mortgagee or the Mortgagor may change its address by giving notice in accordance with this Section 6.1.

SECTION 6.2 Counterparts. This Chattel Mortgage may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Mortgage.

SECTION 6.3 Continuing Lien and Security Interest; Transfer of Note. This Mortgage shall create a continuing lien and security interest in the Mortgaged Property and shall (i) remain in full force and effect until payment in full of the Obligations, (ii) be binding upon the Mortgagor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Mortgagee hereunder, to the benefit of the Mortgagee and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii) the Mortgagee may assign or otherwise transfer the Note to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Mortgagee herein or otherwise, subject, however, to the provisions of the Loan Agreement.

SECTION 6.4 Construction; Captions and Paragraph Headings. This Chattel Mortgage shall be deemed to have been made in and shall be governed and interpreted by the laws of the State of Arizona with respect to agreements made by residents of the State of Arizona and to be wholly performed within said state and the rights and remedies of the parties hereunder shall be determined in accordance with such laws, except to the extent that the law of some other jurisdiction may be mandatorily applicable to proceedings taken for the enforcement of the rights of the Mortgagee hereunder; provided, however, that any remedies herein provided which shall be valid under the laws of the jurisdiction where proceedings for the enforcement hereof shall be taken shall not be affected by any invalidity thereof under the laws of the State of Arizona. If any provision of this Mortgage or of any other agreement between the parties hereto shall be held invalid or inapplicable to any circumstance or in any jurisdiction, such invalidity or inapplicability shall not affect any other provision hereof or of any other agreement between the parties hereto which can be given effect without regard to the invalid provision, nor to the same provision to the extent valid or enforceable in any other applicable jurisdiction, nor shall any such inapplicability to any circumstance affect the applicability of such terms to any other or different or subsequent circumstance, all of such terms, conditions or provisions are deemed severable.

(b) Each party hereby agrees that all actions or proceedings initiated by either party and arising directly or indirectly out of this Mortgage shall be litigated exclusively in the Superior Court of Arizona, Maricopa County, or the United States District Court for the District of Arizona. Each party hereby expressly submits and consents in advance to such jurisdiction and venue in any action or proceeding commenced by either party in any of such courts, and hereby waives personal service of the summons and complaint, or other process or papers issued therein, and agrees that such service of the summons and complaint may be made by registered mail, return receipt requested, addressed to either party, at the respective addresses set forth in Section 7.1 hereof. Each party waives any claim that Phoenix, Arizona or the District of Arizona is an inconvenient forum or an improper forum based on lack of venue. Should either party, after being so served, fail to appear or answer any summons, complaint, process or paper so served within 30 days after the mailing thereof, each party acknowledges that as a result thereof, an order and/or judgment may be entered by either party against the other as demanded or pleaded for in such summons, complaint, process or papers. The exclusive choice of forum set forth herein shall not be deemed to preclude the enforcement by either party of any judgment in any other appropriate jurisdiction.

In construing any provision of this Mortgage, no account shall be taken of the identity of the party who prepared this Mortgage and no presumption shall arise as a result thereof. Captions and paragraph headings used herein are for convenience only and are not part of this Mortgage and shall not be used in construing it.

SECTION 6.5 Delivery. This Mortgage is intended to and shall be deemed to be delivered by the Mortgagor to the Mortgagee and accepted by the Mortgagee in New York.

IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have caused this instrument to be duly executed as of the day and year first above written.

GREYHOUND FINANCIAL
CORPORATION

By: _____

Title: _____

ALLEGHENY & EASTERN
RAILROAD, INC.

By: *William H. Vesting*

Title: *Treasurer*

STATE OF _____)
) ss.:
COUNTY OF _____)

On this _____ day of _____, 1992, before me personally appeared _____ to me personally known, who being by me duly sworn, say that he is the _____ of _____, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

NOTARY PUBLIC

SEAL:

My commission expires:

STATE OF New York)
) ss.:
COUNTY OF New York)

On this 24th day of November, 1992, before me personally appeared NARIC W. HASTINGS to me personally known, who being by me duly sworn, say that he is the TREASURER of Allegheny & Eastern Railroad Inc. that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Dolores Block

NOTARY PUBLIC

SEAL:

My commission expires:

DOLORES BLOCK
Notary Public, State of New York
No. 4761585
Qualified in Rockland County
Commission Expires April 30, 1994

Commission Expires April 20, 1968
Qualified in Rockland County
No. 4781555
Notary Public, State of New York
DOLORES BLOK



IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have caused this instrument to be duly executed as of the day and year first above written.

GREYHOUND FINANCIAL
CORPORATION

By: Kathy A. Gross

Title: Vice President

ALLEGHENY & EASTERN
RAILROAD, INC.

By: _____

Title: _____

STATE OF New Jersey)
) ss.:
COUNTY OF Middlesex)

On this 23 day of November, 1992, before me personally appeared Randy A. Gross to me personally known, who being by me duly sworn, say that he is the Vice President of Greyhound Financial Corp., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Toby Leone
NOTARY PUBLIC

SEAL:

My commission expires:

TOBY LEONE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Mar. 28, 1996

STATE OF _____)
) ss.:
COUNTY OF _____)

On this ____ day of _____, 1992, before me personally appeared _____ to me personally known, who being by me duly sworn, say that he is the _____ of _____, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

NOTARY PUBLIC

SEAL:

My commission expires:

SCHEDULE I

LOCOMOTIVES

locomotive type	current ALY #	date of ALY purchase	builder (rebuilder)	builder serial #	built (rebuilt) date	former marks
GP-40	101	7/22/85	EMD	34706	12/68	CR 4242
GP-40	102	7/22/85	EMD	34706	12/68	CR 4242
CF-7	103	1/17/86	(ATSF)		(1972)	ATSF 2590
CF-7	104	1/17/86	(ATSF)		(1972)	ATSF 2521
GP-35	105	12/8/88	EMD	77244	6/64	UP 743
GP-35	106	12/8/88	EMD	77249	6/64	UP 748

SCHEDULE II

LOCOMOTIVES

<u>Locomotive</u> <u>type</u>	<u>current</u> <u>ALY #</u>	<u>builder</u> <u>(rebuilder)</u>	<u>builder</u> <u>serial #</u>	<u>percentage of the Note</u> <u>represented by Locomotive</u>
GP-40	101	EMD	34706	1.56%
GP-40	102	EMD	34706	1.56%
CF-7	103	(ATSF)		.67%
CF-7	104	(ATSF)		.67%
GP-35	105	EMD	77244	.56%
GP-35	106	EMD	77249	.56%

Example: If the CF-7 unit, ALY current # 103 is damaged to such an extent that an Event of Loss is deemed to have occurred and at the time of such Event of Loss the outstanding principal balance on the Note is \$5,800,000, then the principal amount to be paid pursuant to Section 3.13 shall be \$5,800,000 multiplied by .0067.

ASSIGNMENT OF LEASE AND LESSEE'S ACKNOWLEDGMENT
OF AND CONSENT TO ASSIGNMENT OF LEASE

This ASSIGNMENT OF LEASE AND LESSEE'S ACKNOWLEDGMENT OF AND CONSENT TO ASSIGNMENT OF LEASE, dated as of _____, 1992 (this "Agreement"), among GREYHOUND FINANCIAL CORPORATION, a corporation organized and existing under and by virtue of the laws of the State of Delaware ("Lender"), with its chief executive office and principal place of business at Dial Corporate Center, Dial Tower, Phoenix, Arizona 85077; ALLEGHENY & EASTERN RAILROAD, INC., a corporation organized and existing under and by virtue of the laws of the State of Delaware ("Lessor"), with its chief executive officer and principal place of business at 201 N. Penn Street, Punxsutawney, Pennsylvania 15767; and _____, a corporation organized and existing under and by virtue of the laws of the State of _____ ("Lessee"), with its chief executive office and principal place of business at _____.

W I T N E S S E T H:

WHEREAS, pursuant to that certain Lease Agreement, dated as of _____, _____, between Lessor and Lessee as more particularly described in the attached Appendix (the "Lease"), Lessor has leased to Lessee, among other things,

[description of locomotive]:

all of the foregoing is hereinafter referred to as the "Equipment"; and

WHEREAS, Lessor has obtained financing from Lender in connection with the acquisition of, among other things, the Equipment; and

WHEREAS, in order to secure the performance by Lessor, Buffalo & Pittsburgh Railroad, Inc. ("B&P") and Genessee & Wyoming Industries, Inc. ("GWI") of, among other things, their respective obligations under: (i) the Secured Loan Agreement, dated as of November __, 1992, between the Lender and Lessor, as the same may be amended or supplemented from time to time (the "Loan Agreement"), (ii) the Promissory Note dated November __, 1992 in the principal amount of \$6,500,000 made by the Lessor and delivered to the Lender pursuant to the terms of the Loan Agreement (the "Note") and (iii) the Security Documents (as defined in the Loan Agreement). Lender has required Lessor to, among other things, assign to Lender, all

of Lessor's right, title and interest in and to the Lease (except as otherwise set forth herein).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agree as follows:

1. To secure the payment of the principal, all interest and other sums payable by Lessor, B&P or GWI under the Loan Agreement, the Note and the Security Documents, and all other documents executed in connection therewith or contemplated thereby, and the performance by any of Lessor, B&P or GWI of, and compliance with, all of the terms of the Loan Agreement, Note and the Security Documents to be performed by any of Lessor, B&P or GWI, Lessor hereby assigns, transfers, conveys and sets over to Lender, all of Lessor's right, title and interest in, to and under the Lease (but, except as expressly set forth herein, none of its obligations thereunder), except for Lessor's right, title and interest in and to the Excluded Amounts, including, without limitation, the right, after the occurrence and during the continuance of an Event of Default (a) to collect all rental payments, income, proceeds (including, but not limited to insurance proceeds), awards, revenues and other sums payable by Lessee to Lessor pursuant to the Lease or arising therefrom, except for Excluded Amounts, and (b) to enforce all of Lessor's rights and remedies under the Lease. For purposes of this Agreement the term "Excluded Amounts" shall mean _____.

2. Notwithstanding the provisions of paragraph 1 hereof, unless and until an Event of Default shall have occurred, Lessor shall be entitled to exercise all of Lessor's rights under the Lease, except the right to assign or grant a security interest in the Lease or in any of Lessor's rights thereunder to any person other than Lender. Upon the occurrence of an Event of Default (including, without limitation, the rejection of the Loan Agreement or the Lease pursuant to any bankruptcy or similar proceeding involving Lessor) all rights and interest of Lessor in, to and under the Lease and the proceeds thereof shall be exercisable solely by and shall inure solely and exclusively to the benefit of Lender. Accordingly, upon such occurrence of an Event of Default, in addition to any right or remedy Lender may have under the Loan Agreement, the Note, the Security Documents, or by operation of law, Lender shall have all rights to enforce the Lease as if Lender were the lessor thereunder. In the exercise by Lender of any rights or remedies under the Lease, Lender agrees that the terms and conditions of the Lease shall apply to and be binding upon the Lender to the same extent as Lessor (the foregoing shall not, however, constitute or be deemed to constitute an obligation of, or undertaking by Lender to assume any of the obligations of Lessor under the Lease with the exception of Lessor's covenant of quiet enjoyment set forth in Section ____ thereof).

3. Upon the occurrence of an Event of Default, Lender shall have the right to deliver a notice thereof to Lessee in the form of Exhibit A attached hereto. Upon receipt of such notice, the Lessee shall, until otherwise notified in writing by the Lender, make all payments due and owing to Lessor under the Lease to the Lender (or such other party as Lender directs) by wire transfer to such account as Lender in writing directs. Lessee agrees that it will make all such payments to such account until otherwise instructed by the Lender in writing.

4. Lessor hereby represents, warrants and agrees as follows:

(a) the Lease is the entire agreement of lease with respect to the Equipment and the Lease has not been amended, supplemented or modified (except as expressly set forth herein) nor has any provision thereof been waived by either party thereto;

(b) the Lease is in full force and effect;

(c) there is no event which has occurred which constitutes, or with the giving of notice or passage of time or both would constitute, an "Event of Default" (as defined in the Lease) by either party under the Lease;

(d) as of this date there has been no prepayment of any rent under the Lease;

(e) Lessor will not permit the Lease or any material provisions thereof to be amended nor any of Lessor's material rights or Lessee's material obligations thereunder to be waived without the prior, written consent of Lender, which consent shall not unreasonably be withheld; and

(f) Lessor will promptly send to Lender all notices or demands which Lessor shall be permitted or required to send to Lessee under the provisions of the Lease or which Lessor receives from Lessee.

5. Lessor (except in connection with an assignment permitted under the Loan Agreement) may not assign any of its rights or obligations hereunder without the express prior written consent of Lender. This Agreement and the rights and obligations evidenced hereby shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties hereto.

6. Lessee hereby represents, warrants and agrees as follows:

(a) (i) The Lease is in full force and effect, and (ii) no Event of Default (as defined in this Lease) has occurred and is continuing under the Lease;

(b) (i) Lessee will cause Lender, as mortgagee under the Chattel Mortgage (as defined in the Loan Agreement), to be named as a loss payee as its interest may appear and as an additional named insured on any insurance policies relating to the Equipment and will comply with all the terms and conditions of the insurance requirements as contained in the Lease.

(c) Lessee acknowledges that Lender has not made any representations or warranties of any kind, nature or description in respect of the Equipment, and the Lessee and Lender hereby agree that Lender shall not be or become subject to any liability or be bound to perform any duties or obligations of the Lessor under the Lease, except that in the exercise of any rights or remedies under the Lease, Lender agrees that the terms and conditions of the Lease shall apply to and be binding upon Lender to the same extent as the Lessor. Notwithstanding the foregoing, Lender hereby acknowledges that it is "Lessor's Lender," as that term is defined in the Lease, and agrees, with respect to the distribution and allocation of insurance proceeds, to be so bound by the terms and provisions of the Lease.

7. Provided that Lessee is not in default under the Lease, neither Lender nor any person claiming by, through or under Lender will disturb Lessee in the quiet enjoyment of the Equipment in accordance with the Lease.

8. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by registered mail, return receipt requested, or internationally recognized courier, addressed to the parties at the address first set forth on page 1 hereof.

9. Lessor and Lender hereby agree that all actions or proceedings initiated by Lessor and Lender and arising directly or indirectly out of this Agreement or the Lease shall be litigated exclusively in the Superior Court of Arizona, Maricopa County, or the United States District Court for the District of Arizona. Lessor and Lender hereby expressly submit and consent in advance to such jurisdiction and venue in any action or proceeding commenced by Lessor and Lender in any of such courts, agree that jurisdiction and venue is proper in such courts, and hereby waive personal service of the summons and complaint, or other process or papers issued therein, and agree that such service of the summons and complaint may be made by registered mail, return receipt requested, addressed to Lessor and Lender at their respective addresses set forth herein or in the Lease. Lessor and Lender waive any claim that Phoenix, Arizona or the District of Arizona is an inconvenient forum or an improper forum based on lack of venue. Should Lessor and Lender, after being so served, fail to appear or answer any summons, complaint, process or paper so served within 30 days after the mailing thereof, Lessor and Lender

acknowledge that as a result thereof, an order and/or judgment may be entered by Lessor and Lender against the other as demanded or pleaded for in such summons, complaint, process or papers. The exclusive choice of forum set forth herein shall not be deemed to preclude the enforcement by Lessor and Lender of any judgment in any other appropriate jurisdiction.

10. Nothing in this Assignment shall (i) constitute a waiver or modification of Lessee's rights or remedies under the Lease, or (ii) subject Lessee to any liability to which it would not otherwise be subject to under the Lease.

11. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of such counterparts shall constitute one and the same Agreement.

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York with respect to agreements made and to be entirely performed in such state by residents thereof.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their respective duly authorized officers as of the day and year first above written.

Lessee:

By: _____

Name: _____

Title: _____

Lessor:

ALLEGHENY & EASTERN
RAILROAD, INC.

By: _____

Name: _____

Title: _____

Lender:

GREYHOUND FINANCIAL CORPORATION

By: _____

Name: _____

Title: _____

GREYHOUND FINANCIAL CORPORATION
Dial Tower
Dial Corporate Center
1850 North Central Avenue
Phoenix, Arizona 85077

[Name and Address of Lessee]

ATTN: _____

Re: Allegheny & Eastern Railroad, Inc.

Dear Sir/Madam:

Reference is made to the Assignment of Lease and Lessee's Acknowledgment of and Consent to Assignment of Lease dated as of _____, 1992 (the "Lease Assignment") among Greyhound Financial Corporation ("GFC"); Allegheny & Eastern Railroad, Inc. and _____. Pursuant to Section 3 of the Lease Assignment, GFC hereby notifies you that an Event of Default has occurred under the Loan Agreement (as defined in the Lease Assignment). Pursuant to the terms of the Lease Assignment, you shall make all payments under the Lease other than Excluded Amounts (as defined in the Lease Assignment) to _____ to the following account:

Sincerely,

GREYHOUND FINANCIAL CORPORATION

By: _____
Name: _____
Title: _____

RECEIPT ACKNOWLEDGED AS OF THIS
____ DAY OF _____, 199__:

By: _____
Name: _____
Title: _____